



State of Idaho

Legislative Services Office

Individual Entity Audit Report

A communication to the Joint Finance-Appropriations Committee

**IDAHO STATE PESTICIDE
MANAGEMENT COMMISSION**

FY 2006 and 2007

**Report OP99407
Date Issued: May 1, 2008**

Serving Idaho's Citizen Legislature

FOREWORD

PURPOSE OF AUDIT REPORT

Our fiscal/compliance audit of the Idaho State Pesticide Management Commission was made to determine:

1. The adequacy and accuracy of the fiscal records and the reliability of the internal control system in order to issue an opinion on the fairness of the Commission's financial statements.
2. The degree of compliance with various State laws, rules, and regulations affecting the fiscal operations of the Commission.
3. The areas in the financial operations that could be improved.

SCOPE OF AUDIT

We examined the financial operations of the Commission for the fiscal years ended June 30, 2006 and 2007.

The audit was performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* published by the Comptroller General of the United States.

Information contained in this report was gathered from accounting and administrative records. We also interviewed Commission personnel.

AUDIT AUTHORIZATION

Reported to the Joint Finance-Appropriations Committee as directed by the Legislative Council of the Idaho Legislature, authorized by Idaho Code, Section 67-429.

ASSIGNED STAFF

Brinton Croff, Staff Auditor

ADMINISTRATION AND TECHNICAL REVIEW

Don H. Berg, CGFM, Manager, Legislative Audits Division
Eugene Sparks, CPA, CGFM, Managing Auditor

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EXECUTIVE SUMMARY LEGISLATIVE AUDITS

IDAHO STATE PESTICIDE MANAGEMENT COMMISSION

PURPOSE AND SCOPE – We have audited the financial statements of the Idaho State Pesticide Management Commission for the fiscal years ended June 30, 2006 and 2007, in accordance with auditing standards generally accepted in the United States of America. The purpose of our audit is to determine whether the Commission's financial statements are materially accurate and reliable, and that it complied with laws and regulations affecting fiscal operations.

CONCLUSION – We conclude that the Commission's financial statements are materially accurate and reliable, and fiscal operations materially comply with related laws and regulations. As a result, we issued an unqualified opinion on the Commission's financial statements.

FINDINGS AND RECOMMENDATIONS – There are no findings and recommendations in this report or the prior report.

AGENCY RESPONSE – The Commission has reviewed the report and is in general agreement with its contents.

FINANCIAL SUMMARY – The Commission is primarily funded from grants and contributions, and does not receive a General Fund appropriation.

IDAHO STATE PESTICIDE MANAGEMENT COMMISSION – FINANCIAL STATEMENTS

BALANCE SHEET

	June 30, 2007 General Fund
ASSETS	
Cash and Cash Equivalents	<u>\$6,865</u>
Total Assets	<u>\$6,865</u>
LIABILITIES	
Accounts Payable	<u>\$14</u>
Total Liabilities	<u>\$14</u>
FUND BALANCE	
Unreserved and Undesignated Fund Balance	<u>\$6,851</u>
Total Liabilities and Fund Balance	<u><u>\$6,865</u></u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

	<u>FY 2007</u> <u>General Fund</u>
REVENUES	
Interest Income	\$2
Total Revenues	<u>\$2</u>
EXPENDITURES	
Administrative Expenses	<u>(\$1,262)</u>
Total Expenditures	<u>(\$1,262)</u>
Excess (Deficiency) of Revenues	
Over Expenditures - Net Change in Fund Balance	(\$1,260)
Beginning Fund Balance	<u>8,111</u>
Ending Fund Balance	<u><u>\$6,851</u></u>

OTHER ISSUES – We discussed other matters with the Commission which, if addressed, would improve internal control, compliance, and efficiency.

This report is intended solely for the information and use of the Idaho State Pesticide Management Commission and the Idaho Legislature and is not intended to be used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by the administrator, Rick Waitley, and his staff.

QUESTIONS CONCERNING THIS AUDIT SHOULD BE DIRECTED TO:

Don H. Berg, CGFM, Manager, Legislative Audits Division

Eugene Sparks, CPA, CGFM, Managing Auditor

Report OP99407

AGENCY RESPONSE



Idaho State Pesticide Management Commission

April 15, 2008

Brinton Croff
Legislative Audits
Idaho State Capitol, Rm 108
PO Box 83720
Boise ID 83720

Dear Mr. Croff

This letter is in response to the audit for the Idaho State Pesticide Management Commission for the fiscal years of 2006 and 2007. Mr. Ray Ineck, Managing Auditor, and you have been most helpful in reviewing our financial records and supporting materials.

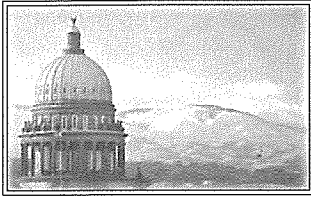
The audit report will be reviewed in detail with our Commission members. Internal action will be taken to make any adjustments in our procedures to provide a clearer picture of financial items related to the Commission.

Your staff's patience with our winter schedule was very much appreciated. We felt the audit procedures and reporting was done accurately, professionally and with high creditability. We extend our gratitude to the quality staff you have serving in the Legislative Audit Division.

Respectfully

A handwritten signature in cursive script, appearing to read "Rick Waitley".

Rick Waitley
Administrator



Legislative Services Office Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

April 17, 2008

Unqualified Opinion on
Basic Financial Statements

Independent Auditor's Report

Rick Waitley, Administrator
Idaho State Pesticide Management Commission
55 Southwest 5th Avenue, Suite 100
Meridian, ID 83642

Tom Lyon, Chair
Idaho State Pesticide Management Commission
23329 Tundra Court
Caldwell, ID 83607

Dear Mr. Waitley and Mr. Lyon:

We have audited the accompanying financial statements of the governmental activities and the special revenue fund of the Idaho State Pesticide Management Commission as of and for the years ended June 30, 2006 and 2007, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the special revenue fund of the Commission as of June 30, 2006 and 2007, and the respective changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Commission will continue as a going concern. As discussed in Note 3 to the financial statements, the Commission is experiencing a steady decline in its cash balance, coupled with an inability to locate a steady source of income to support operations and research. These two issues bring substantial doubt as to the Commission's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2008, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report

Mike Nugent, Manager
Research & Legislation

Cathy Holland-Smith, Manager
Budget & Policy Analysis

Don H. Berg, Manager
Legislative Audits

Glenn Harris, Manager
Information Technology

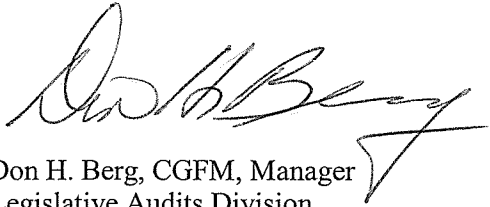
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is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered when assessing the results of our audit.

The Commission has not presented the Management Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Sincerely,

A handwritten signature in black ink, appearing to read "Don H. Berg". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Don H. Berg, CGFM, Manager
Legislative Audits Division

STATE OF IDAHO
IDAHO STATE PESTICIDE MANAGEMENT COMMISSION
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2006 AND 2007

	June 30, 2006 Governmental Activities	June 30, 2007 Governmental Activities
ASSETS		
Cash and Cash Equivalents	\$8,125	\$6,865
Total Assets	<u>\$8,125</u>	<u>\$6,865</u>
LIABILITIES		
Accounts Payable	\$14	\$14
Total Liabilities	<u>\$14</u>	<u>\$14</u>
NET ASSETS		
Unrestricted	\$8,111	\$6,851
Total Net Assets	<u><u>\$8,111</u></u>	<u><u>\$6,851</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO
IDAHO STATE PESTICIDE MANAGEMENT COMMISSION
STATEMENT OF ACTIVITIES
FOR FISCAL YEARS ENDED JUNE 30, 2006 AND 2007

For Year Ended June 30, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Net (Expenses) Revenue and Changes in Net Assets Governmental Activities</u>
Administrative Expenses	\$2,910	\$0	(\$2,910)
Research Expenses	11,500	0	(11,500)
Total Governmental Activities	<u>\$14,410</u>	<u>\$0</u>	<u>(\$14,410)</u>
General Revenues:			
Grant Income			\$20,000
Interest Income			2
Total General Revenues			<u>\$20,002</u>
Change in Net Assets			5,592
Beginning Net Assets			<u>2,519</u>
Ending Net Assets			<u>\$8,111</u>

For Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Net (Expenses) Revenue and Changes in Net Assets Governmental Activities</u>
Administrative Expenses	\$1,262	\$0	(\$1,262)
Total Governmental Activities	<u>\$1,262</u>	<u>\$0</u>	<u>(\$1,262)</u>
General Revenues:			
Interest Income			\$2
Total General Revenues			<u>\$2</u>
Change in Net Assets			(\$1,260)
Beginning Net Assets			<u>8,111</u>
Ending Net Assets			<u>\$6,851</u>

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO
IDAHO STATE PESTICIDE MANAGEMENT COMMISSION
BALANCE SHEET
GOVERNMENTAL FUND
AS OF JUNE 30, 2006 AND 2007

	June 30, 2006 General Fund	June 30, 2007 General Fund
ASSETS		
Cash and Cash Equivalents	\$8,125	\$6,865
Total Assets	<u>\$8,125</u>	<u>\$6,865</u>
LIABILITIES		
Accounts Payable	\$14	\$14
Total Liabilities	<u>\$14</u>	<u>\$14</u>
FUND BALANCE		
Unreserved and Undesignated Fund Balance	\$8,111	\$6,851
Total Liabilities and Fund Balance	<u>\$8,125</u>	<u>\$6,865</u>

RECONCILIATION OF THE GOVERNMENT FUND
BALANCE SHEET TO STATEMENT OF NET ASSETS

	FY 2006	FY 2007
Total Fund Balance for Governmental Funds	<u>\$8,111</u>	<u>\$6,851</u>
Amounts Reported for Governmental Activities in the Statement of Net Assets are different because:		
There are no reconciling differences	<u>0</u>	<u>0</u>
Net assets of governmental activities	<u>\$8,111</u>	<u>\$6,851</u>

The accompanying notes are an integral part of these financial statements

STATE OF IDAHO
IDAHO STATE PESTICIDE MANAGEMENT COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEARS ENDED JUNE 30, 2006 AND 2007

	FY 2006 General Fund	FY 2007 General Fund
REVENUES		
Grant Income	\$20,000	\$0
Interest Income	2	2
Total Revenues	<u>\$20,002</u>	<u>\$2</u>
EXPENDITURES		
Administrative Expenses	\$2,910	\$1,262
Research Expenses	11,500	0
Total Expenditures	<u>\$14,410</u>	<u>\$1,262</u>
Excess (Deficiency) of Revenues		
Over Expenditures - Net Change in Fund Balance	\$5,592	(\$1,260)
Beginning Fund Balance	2,519	8,111
Ending Fund Balance	<u><u>\$8,111</u></u>	<u><u>\$6,851</u></u>

RECONCILIATION OF THE GOVERNMENTAL FUND OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE TO THE STATEMENT OF ACTIVITIES

	FY 2006	FY 2007
Net Change in Fund Balances - Government Funds	<u>\$5,592</u>	<u>(\$1,260)</u>
Amounts Reported for Governmental Activities in the Statement of Activities are different because:		
There are no reconciling differences	<u>0</u>	<u>0</u>
Change in Net Assets of Government Activities	<u><u>\$5,592</u></u>	<u><u>(\$1,260)</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE #1

SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL REPORTING ENTITY

The financial statements of the Idaho State Pesticide Management Commission have been prepared in conformity with United States generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Commission's accounting policies are described below.

BASIS OF PRESENTATION

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities report all activities of the Commission as governmental activities. These activities are financed primarily by grants and contributions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Commission. Direct expenses are those specifically associated with a function and, therefore, are clearly identifiable to a particular function. Revenues not classified as program revenues are presented as general revenue. The Commission has no program revenues.

Fund Financial Statements

The fund financial statements provide information about the Commission's Grant Fund, and differ from government-wide financial statements as explained below.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities are presented on the statement of net assets. Revenues are recorded when earned, and

expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, only current assets and current liabilities are generally included on the balance sheet. Revenues are recognized when measurable and available. The Commission considers all revenues reported in the Grant Fund to be available if the revenues are collected within 60 days following year-end. Contributions and interest are considered to be susceptible to accrual. Expenditures are recorded when the related liability is incurred. General capital asset acquisitions are reported as expenditures in governmental funds. The Commission did not acquire any capital assets in fiscal years 2006 and 2007.

BUDGETS AND BUDGETARY ACCOUNTING

The Commission does not establish budgets, therefore, no budget to actual schedules are shown.

OTHER

The Commission does not have any employees. All administrative activities are contracted.

NOTE #2

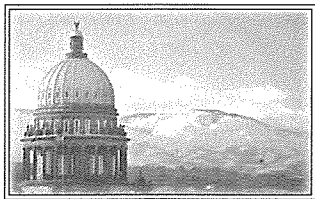
CASH AND INVESTMENTS

The ending cash balances at June 30, 2006 and 2007, consist of checking and saving deposits of \$8,125 and \$6,865, respectively, that are insured by the Federal Deposit Insurance Corporation (FDIC).

NOTE #3

GOING CONCERN

The Commission is dependent on income generated through contributions and grants. The cash balance for the Commission is steadily declining and their administrative contract has been placed on hold due to lack of activity and minimal funds available. The Commission is making efforts to get a steady source of funding, but thus far has received no support. If the Commission fails to acquire a consistent source of funding, they will be unable to continue operations.



Legislative Services Office Idaho State Legislature

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Jeff Youtz
Director

April 17, 2008

Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial
Statements Performed in Accordance
With Government Auditing Standards

Rick Waitley, Administrator
Idaho State Pesticide Management Commission
55 Southwest 5th Avenue, Suite 100
Meridian, ID 83642

Tom Lyon, Chair
Idaho State Pesticide Management Commission
23329 Tundra Court
Caldwell, ID 83607

Dear Mr. Waitley and Mr. Lyon:

We have audited the financial statements of the Idaho State Pesticide Management Commission as of and for the years ended June 30, 2006 and 2007, and have issued our report thereon dated April 17, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph, and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Commission's ability to initiate, authorize, record, process, or report financial data reliably, in accordance with generally accepted accounting principles such that there is more than a remote

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Don H. Berg, Manager
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likelihood that a misstatement of the Commission's financial statements that is more than inconsequential will not be prevented or detected by the Commission's internal control. We consider the deficiencies described below to be significant deficiencies in internal control.

2007-01 Government Auditing Standards place the responsibilities on management for the preparation of the comprehensive financial statements and notes for the audit report. The Commission does not have an internal control system designed to provide for the preparation of the comprehensive financial statements being audited. As auditors, we were requested to draft the comprehensive financial statements and notes from the Commission's accounting system. This circumstance is not unusual for an entity the size of the Commission. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

2007-02 Accounting duties are not adequately segregated due to limited staff within the entity. In order to mitigate the effects of this situation, we recommend that the administrator receive and review the monthly bank statements and canceled checks, and review the completed bank reconciliations.

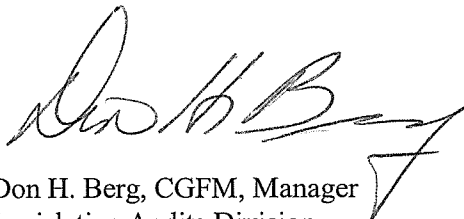
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Commission's internal control. These significant deficiencies are not classified as material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Idaho State Pesticide Management Commission and the Idaho Legislature and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink, appearing to read "Don H. Berg", with a stylized flourish at the end.

Don H. Berg, CGFM, Manager
Legislative Audits Division

APPENDIX

HISTORY

The Idaho State Pesticide Commission was created by law in 2002. Statutory authority for the Commission is contained in Idaho Code, Title 22, Chapter 18, known as the Idaho State Pesticide Management Commission.

ORGANIZATION

The Commission comprises eleven members. Eight members are from the following agricultural industries: tree fruit industry, potato growers, grain growers, vegetable and seed growers, sugar beet growers, bean and alfalfa growers, and the nursery and landscape industry. Three members are from each of the following: food processors, agricultural chemical industry, and professional pesticide applicators. The Commission contracts for administrative and bookkeeping services.

PURPOSE

The general purpose of the Commission is to improve funding and research for the registration of pesticides; implement and demonstrate aspects of integrated pest management, and pest resistance management programs for minor crops; and provide this information to agricultural producers and related organizations.

FUNDING

The Commission received an initial start-up grant from the Department of Agriculture in fiscal year 2003. The Commission now relies on grants and contributions for continued funding.